

Message Text

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ACTION EB-07

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C O N F I D E N T I A L ALGIERS 0543

E.O. 11653: GDS

TAGS: ENRG, AG US

SUBJECT: CONVERSATION WITH MINSITER ABDESSELAM: ALGERIANS
DEVELOP PLANS AND PURCHASES OF US PRODUCTION

REF: ALGIERS 0540 AND 0541

1. SUMMARY: ALGERIAN MINISTER OF INDUSTRY AND ENERGY, ABDESSELAM, TOLD UNDER SECRETARY ROBINSON THAT ALGERIAN DEVELOPMENT WAS WITHIN PLANNED LIMITS, THOUGH LAUNCHING OF SOME PROJECTS WAS TWO YEARS LATE BECAUSE OF DELAYS IN RECEIVING GAS REVENUES. ABDESSELAM SPOKE OF FURTHER OPPORTUNITIES FOR U.S. EXPORTS TO ALGERIA. UNDER SECRETARY STRESSED HE WOULD DO ALL POSSIBLE TO BUILD STRONGER COMMERCIAL TIES BETWEEN TWO COUNTRIES. END SUMMARY.

2. THIS IS THE FOURTH IN THE SERIES OF TELEGRAMS REPORTING A FEB 28 CONVERSATION BETWEEN UNDER SECRETARY ROBINSON AND ALGERIAN MINISTER OF INDUSTRY AND ENERGY BELAID ABDESSELAM.

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3. REFERRING TO AN EARLIER COMMENT BY MINISTER ABDESSELAM

REGARDING ALGERIA'S EXPECTED OIL AND CONDENSATE OUTPUT OF 1.6 MILLION B/D, UNDER SECRETARY ROBINSON ASKED IF INDUSTRIAL DEVELOPMENT WOULD SLOW DOWN IF REVENUES WERE LESS THAN ANTICIPATED. ABDESSELAM RESPONDED THAT ALGERIAN DEVELOPMENT WAS WITHIN PLANNED LIMITS NOW AND THAT THERE HAD BEEN NO NOTABLE CHANGES IN THE FOUR-YEAR PLAN TO DATE. ALGERIANS BELIEVED THEY WOULD FINISH PLAN WITHIN BRACKET OF OBJECTIVES THAT THEY HAD SET. THEY WOULD NOT, HOWEVER, ACHIEVE MAXIMUM OBJECTIVES SET WHEN PLAN WAS WRITTEN. THIS WAS NOT BECAUSE REVENUES HAD BEEN INSUFFICIENT BUT BECAUSE GAS REVENUES HAD BEEN DELAYED. DUE TO PRICE INCREASES AND CONTRACT RENEGOTIATIONS CAUSED BY THE DELAY IN RECEIPT OF ADDITIONAL GAS REVENUES, MANY PROJECTS HAD BEEN DELAYED BY TWO YEARS. ALL PROJECTS THAT GOA HAD EXPECTED TO HAVE LAUNCHED AT THIS POINT HAD NOT BEEN LAUNCHED. SOME PROJECTS WHICH WERE TO HAVE BEGUN IN 1974 OR 1975 WILL ONLY SEE THE BEGINNING OF INVESTMENT IN 1976 OR 1977.

4. ABDESSELAM THEN NOTED THAT ALGERIA WAS NOW LAUNCHING ITS SECOND STEEL COMPLEX. THIS WOULD BE A TWO MILLION TON/YEAR PELLETIZING PLANT. THIS PLANT WOULD BE FED BY IMPORTED IRON ORE BECAUSE THE TECHNIQUES INVOLVED IN DIRECT REDUCTION BY NATURAL GAS WERE NOT COMPATIBLE WITH ALGERIAN IRON ORE. THERE WOULD ALSO BE A SECOND STEEL MILL COMPLEX, ABDESSELAM ADDED--A 10 TO 12 MILLION TON/YEAR PLANT WHICH WOULD UTILIZE IRON ORE FROM GARA DJABILET.

5. UNDER SECRETARY ROBINSON NOTED THAT HE WAS VERY INTERESTED IN STEEL PRODUCTION USING DIRECT REDUCTION METHODS SINCE HE HAD DONE GREAT DEAL OF WORK THIS IN CONNECTION WITH A PROJECT IN SAUDI ARABIA. PROCESS THUS USED HYDROGEN EXTRACTED FROM FLARE GAS AND HAD ADDED ADVANTAGE OF PRODUCING METHANOL AS A BY-PRODUCT OF HYDROGEN EXTRACTION. ABDESSELAM RESPONDED THAT PARTICULAR CHARACTERISTICS OF ALGERIAN ORE MADE IT QUESTIONABLE AS TO WHETHER DIRECT REDUCTION WAS FEASIBLE AND NOTED THAT METHANOL PRODUCTION

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VERY EXPENSIVE. ALGERIA WAS PLANNING TO BUILD A CONVENTIONAL COKE PLANT TO UTILIZE GARA DJABILET ORE. NO FINAL DECISION, HOWEVER, HAD YET BEEN MADE. IF DIRECT REDUCTION PROVED VIABLE AND SURE, THIS TECHNIQUE WOULD BE ADOPTED.

6. TURNING TO ANOTHER AREA, ABDESSELAM NOTED THAT

ALGERIA NOW HAD MANY CONTACTS WITH U.S. FIRMS. COMMERCIAL DISCUSSIONS HAD FOCUSED ON SUCH AREAS AS RECYCLING OF GAS, PURCHASE OF DRILLING RIGS, AND PRODUCTION OF ELECTRONIC PRODUCTS. (ABDESSELAM NOTED, HOWEVER, THAT U.S. EXIMBANK DID NOT SEEM TO WANT TO FINANCE PROFESSIONAL ELECTRONICS PLANT). ALGERIA WAS ALSO DEALING WITH THE U.S. IN THE AREAS OF MECHANICAL CONSTRUCTION, CHEMICALS, AND ELECTRIC CABLES. UNDER SECRETARY ROBINSON REPLIED THAT WE CONSIDER OUR GROWING COMMERCIAL RELATIONSHIP TO BE IMPORTANT AND ADDED THAT HE WAS HERE TO DO ALL HE COULD TO EXPAND TRADE TIES. AS FAR AS THE EXIMBANK WAS CONCERNED ALGERIA WAS ONE OF ITS MOST IMPORTANT CLIENTS, AND NOW RANKED NINTH OUT OF 150 COUNTRIES IN TERMS OF EXIMBANK EXPOSURE. THE PRESENT LEVEL OF EXIMBANK EXPOSURE IN ALGERIA AND THE PRELIMINARY COMMITMENTS OUTSTANDING REPRESENTED A VOTE OF CONFIDENCE BY THE EXIMBANK.

7. ABDESSELAM WENT ON TO SAY THAT HE HOPED U.S. ENTERPRISES WOULD SHOW MORE INTEREST IN PURCHASES THAT ALGERIA WAS MAKING. IN ADDITION TO PURCHASES FOR INVESTMENT, ALGERIA WAS ALSO PURCHASING MANY CURRENT CONSUMPTION ITEMS. FOR EXAMPLE, MINISTER SAID, ALGERIA IS NOW PURCHASING \$40 TO \$50 MILLION WORTH OF ELECTRICAL CABLES AND ABOUT \$120 MILLION WORTH OF STEEL. OUTSIDE OF AREA OF INVESTMENT PURCHASES, CURRENT OF COMMERCIAL TIES HAD BEEN MOVING INCREASINGLY TOWARD EUROPE (READ EUROPE AS A WHOLE INSTEAD OF FRANCE ALOND); HOWEVER, GOA HOPED TO INCREASE THESE TIES WITH THE U.S. ALTHOUGH TRANSPORTATION COSTS MIGHT BE A PROBLEM, IT WAS STILL POSSIBLE FOR THE U.S. TO BE COMPETITIVE. IMPORTERS IN ALGERIA ARE NATIONAL COMPANIES WHICH ORDER IN LARGE VOLUMES, PERHAPS OFFSETTING THE U.S. TRANSPORTATION

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DISADVANTAGE.

8. UNDER SECRETARY ROBINSON CONCLUDED THAT HE WOULD DO EVERYTHING POSSIBLE TO BUILD STRONGER COMMERCIAL TIES BETWEEN THE TWO COUNTRIES. PARKER

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